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TO RUEHC/SECSTATE WASHDC PRIORITY 5152
INFO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE PRIORITY
RUEHFR/AMEMBASSY PARIS PRIORITY 0357
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
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UNCLAS SECTION 01 OF 02 MEXICO 000455

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TAGS: [ECON](#) [ENRG](#) [MX](#)
SUBJECT: MEXICAN ELECTRICITY U/S ON LIBERALIZATION,
COOPERATION WITH U.S.

REF: A. 06 MEXICO 7037
[1](#)B. 06 MEXICO 6049

Sensitive but unclassified.

[1](#)1. (U) This is an action message, see para 7.

[1](#)2. (SBU) Summary: Reuben Flores, Mexico's new Undersecretary for Electricity in the Energy Secretariat (SENER) supports further trans-border electrical interconnections between the U.S. and Mexico as long as they make economic sense. On reform of the Mexican electricity monopoly, the Federal Electricity Commission (CFE), he confirmed that the GOM plans to separate CFE into separate business units, but he stopped short of calling the pending reorganization a prelude to competition in electrical transmission or distribution. He also expressed opposition towards granting the National Electric Reliability Corporation (NERC) authority over Mexican facilities and seeks to engage with appropriate U.S. officials on the issue. See action request in paragraph 7. End Summary.

[1](#)3. (SBU) Emboffs met January 26 with Ruben Flores Garcia, the new Undersecretary for Electricity at SENER. Flores told us that he is interested in improving trans-border electricity interconnections between the U.S. and Mexico, but in only those areas where the interconnections make economic sense. He also did not see a need to make synchronized connections. Back-to-back connections, which link the two alternating current systems via a direct current bridge, would continue to be sufficient. While, for reliabilities sake, it could be advantageous to connect Mexico directly, at least to the ERCOT (Texas) grid, he did not see a pressing economic need to do so.

[1](#)4. (SBU) Flores confirmed what we heard from Undersecretary for Energy Planning, Jordy Herrera (ref A) that the Calderon team would seek to separate CFE from a single entity into constituent business units -- generation, transmission, and distribution. Nevertheless, Flores implied that the regulatory framework necessary for doing so would keep CFE as a single company, similar to the Pemex model, and not create distinct companies as a prelude to competition as Herrera had suggested.

[1](#)5. (SBU) Flores also rejected the idea of opening the transmission business to private participation or allowing the construction of "merchant" transmission lines. On nuclear power, he agreed with CFE's continuing efforts to expand the Laguna Verde plant, but he did not go as far as to support plans for significant new construction of nuclear plants as foreseen by the previous SENER team (ref B). He expected that SENER and CFE would keep the nuclear percentage in the Mexican power portfolio between 8 and 12 percent.

16. (SBU) On the parts of the Mesoamerican Energy Integration Project, Flores noted that construction of the Mexico-Guatemala interconnection was well in train and regardless of the outcome of the rest of the project, it would continue. As an aside, Flores said that Central American countries believed the interconnect would give them a source of cheap electric power, but this would not be the case. Flores also noted with disappointment that Electricite de France (EDF) decided recently to divest of its generating plants (Independent Power Projects (IPPs)) in Mexico to concentrate more closely on opportunities in Eastern Europe. He suggested that there would be an opportunity for U.S. firms to take over their operation.

17. (SBU) In closing, Flores raised the the North American Electric Reliability Corporation (NERC) which has revised its Policies into Standards, and now has authority to enforce those standards on power system entities operating in the U.S. through significant financial penalties for noncompliance. He expressed concern over efforts between NERC and the GOM to obtain comparable authority to enforce its standards on systems in Baja California. Flores implied that Mexico was not ready to grant the NERC this authority, but wanted to discuss the issue with the appropriate USG officials. Action Request: Given the change of Administration, we request that U.S. officials connected to the NERC contact Flores. Post would be pleased to facilitate a meeting.

18. (U) Flores came to his Undersecretary position after serving as Commissioner in the Mexican Energy Regulatory Commission (CRE) under then Director General now Energy Secretary Georgina Kessel. Flores also held positions at the

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Federal Electricity Commission (CFE) and within the Energy Secretariat. He is also professor of Electrical Engineering

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at (the Technical Institute of Superior Studies of the Occident) ITESO in Guadalajara.

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